



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 4, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **ARBOR EDUCATION & TRAINING, LLC - EAST LOS ANGELES  
EMPLOYMENT AND BUSINESS CENTER CONTRACT – A  
DEPARTMENT OF COMMUNITY AND SENIOR SERVICES  
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Arbor Education & Training, LLC - East Los Angeles Employment and Business Center (Arbor-ELA or Agency), formally known as the Affiliated Computer Services – East Los Angeles Employment and Business Center. Arbor-ELA is a Department of Community and Senior Services (DCSS) Workforce Investment Act (WIA) program provider.

**Background**

DCSS contracts with Arbor-ELA, a limited liability partnership to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by Arbor-ELA include occupational skills training, job placement and career planning. Arbor-ELA's offices are located in the First and Fourth Districts.

Arbor-ELA is compensated on a cost reimbursement basis. Arbor-ELA's contract was for approximately \$1,268,000 for Fiscal Year 2006-07.

*"To Enrich Lives Through Effective and Caring Service"*

### **Purpose/Methodology**

The purpose of the review was to determine whether Arbor-ELA complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

### **Results of Review**

Overall, Arbor-ELA provided the program services required by the County contract and the Agency maintained sufficient internal controls over its business operations. However, Arbor-ELA purchased \$2,862 in gas vouchers in June 2006 and billed DCSS without prior written approval from DCSS as required by the County contract. In addition, Arbor-ELA billed DCSS for payroll expenditures based on the number of clients served during the pay period not based on actual hours worked.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with Arbor-ELA and DCSS on August 13, 2007. In their attached response, Arbor-ELA concurred with our findings and recommendations.

We thank Arbor-ELA for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Paul G. Dunn, President, Arbor Education & Training, LLC  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
ARBOR EDUCATION & TRAINING, LLC - EAST LOS ANGELES EMPLOYMENT  
AND BUSINESS CENTER  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Arbor Education & Training, LLC - East Los Angeles Employment and Business Center (Arbor-ELA or Agency) provided services to participants that met the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We selected a sample of 20 (8%) program participants (ten from the Adult Program and ten from the Dislocated Worker Program) from a total of 253 participants that received services between July 2006 and January 2007. We reviewed the 20 case files for documentation to confirm their eligibility for WIA program services.

**Results**

All 20 program participants met the eligibility requirements for the WIA program.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether Arbor-ELA provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 20 (8%) participants that received services during July 2006 through January 2007. We also interviewed ten participants.

**Results**

The ten participants interviewed confirmed that the services received met their expectations. In addition, the case files for the 20 participants contained documentation to support the services billed to DCSS.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues were properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there were adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed Arbor-ELA's bank reconciliation for December 2006.

**Results**

Arbor-ELA maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures were allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 90 (78%) of the 117 non-personnel expenditure transactions billed by the Agency for October and November 2006, totaling \$163,697.

**Results**

Arbor-ELA's expenditures were allowable, properly documented and accurately billed to the WIA program.

**Recommendation**

**There are no recommendations for this section.**

**INTERNAL CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, Arbor-ELA maintained sufficient internal controls over its business operations. However, Arbor-ELA's procurement policy did not require three price quotes be documented for purchases over \$1,000 as required by WIA guidelines. Specifically, Arbor-ELA's procurement policy requires staff to obtain only one price quotation for purchases of \$10,000 or less.

Subsequent to our review, Arbor-ELA revised their procurement policy to comply with WIA guidelines.

**Recommendation**

- 1. Arbor-ELA management distribute the revised procurement policy to staff and ensure that staff comply with the new guidelines.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchases made with WIA funds were used for the WIA program and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's inventory listing. In addition, we performed an inventory and reviewed the usage of 17 (6%) of the 284 items funded by WIA funds, totaling \$20,743.

**Results**

Arbor-ELA used the items purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

**Recommendation**

**There are no recommendations for the section.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll was appropriately charged to the WIA program. In addition, determine whether personnel files were maintained as required.

**Verification**

We traced and agreed the payroll expenditures for all 12 WIA employees totaling \$47,732 to the payroll records and time reports for November 2006. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA program.

**Results**

Arbor-ELA did not bill payroll expenditures based on actual hours worked. Arbor-ELA billed DCSS payroll expenditures based on the number of clients served during the pay period. This finding was also noted in the prior year's monitoring report. Subsequent to our review, Arbor-ELA began billing payroll expenditures based on actual hours worked each day by program.

Arbor-ELA also did not conduct the annual performance evaluations for three (60%) of the five employees as required. The last performance evaluations were performed in July 2005 for all three employees.

**Recommendations**

**Arbor-ELA management:**

- 2. Bill payroll expenditures based on actual hours worked each day by program.**
- 3. Ensure that annual performance evaluations are performed.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed Arbor-ELA's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during October and November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

Arbor-ELA's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

**There are no recommendations for this section.**

**CLOSE-OUT REVIEW**

**Objective**

Determine whether Arbor-ELA's Fiscal Year (FY) 2005-06 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06.

**Results**

Arbor-ELA's overbilled DCSS \$2,862 for unallowable expenditures. Specifically, Arbor-ELA purchased \$2,862 in gas vouchers in June 2006 without prior written approval from DCSS. The County contract requires the contractor to complete all purchases before the last two months of the contract period and exceptions to this requirement requires prior written approval from DCSS.

**Recommendations**

**Arbor-ELA management:**

- 4. Repay DCSS \$2,862.**
- 5. Ensure that purchases are not made within the last two months of the contract period without prior written approval from DCSS.**

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on September 14, 2006.

**Results**

The prior monitoring report contained one recommendation, which required the Agency to bill payroll expenses based on actual hours worked. As previously indicated, the finding was also noted during our current monitoring review. Arbor-ELA management indicated that the Agency implemented the recommendation in January 2007.

**Recommendation**

**There are no recommendations for this section.**





August 31, 2007

J. Tyler McCauley, Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
1000 S. Fremont Avenue, Unit #51  
Alhambra, CA 91803

Attention: Yoon Bae, CPA Principal Accountant-Auditor

Re: Response To PY 2006-07 WIA Program Monitoring Review/ Draft Report For Arbor-ELA

Dear Mr. McCauley:

This letter is in response to the findings and recommendations issued during the month of August 2007 on the program monitoring of the Arbor ELA program for the contract period 2006-07.

Recommendation #1 – Revise Procurement Policy to Comply with Regulatory Guidelines

Response – Arbor concurs with Auditor-Controllers' recommendations regarding this issue. Arbor ELA revised its' procurement policy in August 2007 to assure that it is in alignment with all applicable regulatory guidelines and has been distributed to staff to assure compliance. A copy of the revised Procurement Policy is on file and available for review.

Recommendation #2 – Bill Payroll Based on Actual Hours Worked Each Day By Program

Response – Arbor concurs with this recommendation. Arbor ELA revised its' previously approved cost allocation method for payroll in January 2007 to base payroll on actual hours worked each day by program. During the monitoring review, Controller-Auditor staff sample tested payroll for the month of November 2006 only and therefore did not have an opportunity to review revised time keeping methods that had already been implemented at the beginning of the calendar year consistent with the current recommendation. Revised payroll timesheet and actual payroll records are on file and available for review.

Recommendation #3 – Ensure that Annual Performance Evaluations Are Performed

Response – Arbor concurs with this recommendation. Annual performance evaluations for all staff are current and contained in personal files. During the PY05 – 06 contract period, Arbor acquired the ELA Center from Affiliated Computer Services. During the transition period, the annual staff performance evaluation review cycle changed. The new Arbor ELA performance evaluation cycle started in July 2006 and was completed in June 2007.

**East Los Angeles Employment & Business Center**

5301 Whittier Blvd. • Los Angeles, CA 90022 • (323) 887-7122 • (323) 887-8236 FACSIMILE

Recommendation #4 – Repay DCSS \$2,862

Response – Arbor concurs with this recommendation. Arbor ELA will issue a check to DCSS in the aforesaid total amount. Arbor ELA has made arrangements with ConocoPhillips Company to allow Arbor to return previously purchased gasoline vouchers, used by Arbor for client supportive services, and to receive a full reimbursement in the amount \$2,862 which will then be forwarded to DCSS in order to satisfy this recommendation.

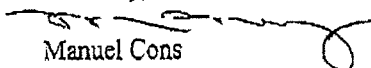
Recommendation #5 – Ensure That Purchases Are Not Purchased Within the Last Two Months of the Contract Period Without Prior Written Approval From DCSS

Response Arbor concurs with this recommendation and will ensure that purchases are not made with the last two months of the contract period without prior written approval from DCSS.

Thank you very much for giving us the opportunity to submit this response.

Please feel free to contact me directly at 323-887-7122 should you have any questions or need any additional information.

Sincerely,



Manuel Cons  
Project Director